S. HRG. 101-104

NOMINATION OF SUSAN CAROL SCHWAB

JOINT HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

AND THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF SUSAN CAROL SCHWAB, OF MARYLAND, TO BE ASSISTANT SECRETARY OF COMMERCE AND DIRECTOR GENERAL OF THE UNITED STATES AND FOREIGN COMMERCIAL SERVICE, VICE LEW W. CRAMER, RESIGNED

MAY 31, 1989

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WEDNESDAY, MAY 31, 1989

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
JOINT WITH
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committees met at 10:00 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle (chairman of the committee) on Banking, Housing, and Urban Affairs, presiding.

Present: Senators Riegle, Dixon, Shelby, D'Amato, Gramm, Bond, Pressler, McCain, Danforth, Gorton, Rockefeller, and Exon.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order.

Today is a unique day, in that we have a joint hearing with the Commerce Committee and the Banking Committee, to consider two important administration nominations. And we will take them separately.

First, Ms. Susan Schwab, who will be Assistant Secretary of Commerce; and then later, Alfred Dellibovi, to be an Under Secretary of Housing and Urban Development. Since the hearing with Ms. Schwab will be conducted jointly with the Commerce Committee, we want to take that nomination up first.

I know there will be colleagues coming in and out in the course of the morning, and so I thought that we should go ahead and start. I want to make a couple of comments, and then I will call on Senator Danforth who is here, and who I know wants to make some introductory comments.

Ms. Schwab is the third nominee submitted to be Director General of the United States and Foreign Commercial Service since that position was created in 1980. She is the first nominee for Director General who is also being nominated to have the title of Assistant Secretary of Commerce. Congress raised the level of this position in the Omnibus Trade Bill, in order to signify the importance to our country of promoting U.S. exports.

It is significant, of course, that Ms. Schwab had a very important role to play in helping to draft and write that very trade bill. Congress also gave the Foreign Commercial Service, in section 2306 of the Omnibus Trade Bill, a special responsibility to encourage the export of United States goods and services to Japan, South Korea, and Taiwan.

Included in that responsibility is the special duty to identify and report on impediments to the export of U.S. goods and services to such countries. The latter duty is a matter in which the Banking Committee will show a particular interest in this Congress and beyond.

Ms. Schwab is no stranger to our committee. As a key staff person on the trade bill, she was critically involved in various sections of the law that she will now be called upon to help implement. She has a reputation as a no nonsense supporter of our national efforts to identify and halt any unfair trade practices by our trading partners, and thereby increase American exports. I am confident that she will make known those concerns, shared by all of us on this committee, and that of other issues well known in the trade councils of this administration.

Therefore, she will become, I think, a very important addition to the administrative side of our Government. I very much welcome her to this hearing. I want to, before calling on Senator Danforth for his remarks, ask Senator McCain, do you have any comments?

Senator MCCAIN. No, Mr. Chairman.

Senator Dixon?

Senator DIXON. Mr. Chairman, nothing Senator Danforth says will dissuade me from supporting Ms. Schwab. And I would like to put my statement in the record.

[Statement of Senator Dixon follows:]

STATEMENT OF SENATOR ALAN DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning as the Senate Banking Committee meets jointly with the Senate Commerce Committee on the nomination of Susan Carol Schwab to be Assistant Secretary of Commerce and Director General of the U.S. and Foreign Commercial Service. I am very well aware of Ms. Schwab's work on the trade bill when she was on Senator Danforth's staff. I think the administration has made a great choice. I am confident she will be a real asset to the Department of Commerce.

I understand that after our jointly meeting on Ms. Schwab's nomination, the Banking Committee will continue alone to conduct its hearing on the nomination of Alfred Dellibovi of New York to be Under Secretary of the Department of Housing and Urban Development. I am pleased to be able to say that I have worked with Mr. Dellibovi when he was Administrator of the Urban Mass Transit Administration. I am sure that the Department of Housing and Urban Development will benefit greatly from his good judgment and expertise.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Danforth, we would be pleased to hear from you.

OPENING STATEMENT OF SENATOR DANFORTH

Senator DANFORTH. Thank you very much, Mr. Chairman.

I appreciate your holding this hearing, and my hope is that Susan Schwab will be confirmed in short order by the Senate.

She has been, as you pointed out, nominated to be Assistant Secretary of Commerce and Director General of the U.S. and Foreign Commercial Service. I have known Sue Schwab since early 1981. In February 1981, she joined my Senate staff as a legislative assistant specializing in international trade. She did such a good job as legislative assistant that, in 1986, she became my legislative director.

You know her, Mr. Chairman, very well. She played a key part in drafting the 1984 trade legislation, and also the 1988 trade legislation. Especially, she worked with you and members of your staff in developing what has become known as "Super 301." That is a provision of the law you and I introduced originally.

Some say that it is going to prove to be a disaster. Some say that it is going to be proven to be a major asset for U.S. trade policy. Until that is clarified, it will be known as the Riegle provision of the trade law. [Laughter.]

The CHAIRMAN. I notice how Hollings has disappeared off the "Gramm-Rudman-Hollings." [Laughter.]

Senator DANFORTH. I could go on and on about Sue Schwab. I know her very well. She has been a very key person in my activities in the Senate. I consider her to be extraordinarily bright, and very, very competent. She has a clear sense of direction. And she is a very good human being, as well. She knows trade policy. She is truly interested in opening markets.

Her view of trade legislation is that it should be aimed at the opening, not the closing, of markets. And now, in her new position, she will have an opportunity to do something very specific about the opening of markets, because the United States and Foreign Commercial Service really is essential if the United States is going to avail itself of the tools that were created in the 1988 Trade Act.

It is going to be necessary for us, the private sector and our Government, to go out and hustle business. And that is what the United States and Foreign Commercial Service is all about. So I am delighted you are holding this hearing.

I am delighted that Sue Schwab has been nominated for this position, and I think that she is a great choice for this post.

The CHAIRMAN. Thank you very much, Senator Danforth. It is a great pleasure to have you here. And I want to say something about that in a moment. But certainly, it is a genuine tribute to Ms. Schwab that you have appeared and made the comments that you have just made.

For her to enjoy the degree of confidence that you have just expressed from your personal experience and work with her over the years, I think is a very significant fact, and I know one much appreciated by the nominee as well.

I want to say, from our association together on Super 301, I think of it—we are handcuffed to that, I think, for life, you and I, and properly so. I must say, too, that I was encouraged the other day in the initial implementation of the Super 301 that Japan particularly

was named, and properly so, as we had earlier discussed in hearings in the Finance Committee.

So I think it is beginning to have the effect that we had hoped when we set down the road to draft it. And certainly our nominee today was crucial to that effort, and it is much appreciated.

Before I give you, Senator Danforth, the opportunity to excuse yourself if you have other things, or to stay, and before swearing in our witness, I want to see if our other colleagues have any opening comments that they want to make.

Senator D'Amato?

Senator D'AMATO. Mr. Chairman, I think we are indeed fortunate to have a person of the caliber of Susan Schwab. And certainly, Senator Danforth's testimony gives ample evidence of that, in her great work and in her position as legislative director. That certainly gives testimony to that.

I ask that my statement be accepted in the record as approved in its entirety.

The CHAIRMAN. So ordered.

(Statement of Senator D'Amato follows:]

STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I would like to welcome Ms. Schwab to this joint hearing of the Banking and Commerce committees. I commend to her the importance of the task which she will undertake upon confirmation.

As the head of the Commerce Department's United States and Foreign Commercial Service, Ms. Schwab will deal with one of the the most important matters facing this country as it approaches the next decade. I am referring, of course, to the promotion of the export of American products to foreign markets. This is a vital matter for every citizen because the strength of the U.S. economy and the maintenance of the current high American standard of living depends upon both the quantity and quality of our exports.

It will be Ms. Schwab's task to help our businesses to identify markets that are ripe for their products. I also hope, and expect, that the Bush administration is sensitive to the need for an emphasis on the export of high value exports that promote skilled labor and high-paying jobs for the hard-working middle class of America. We cannot afford as a nation to become complacent even if our trade balance is declining unless we are exporting the types of goods that insure the continued prosperity of this economy.

So, Ms. Schwab, you have an important role to play. I hope that you will be confirmed quickly so that you can be about this vital work.

Thank you, Mr. Chairman.

OPENING REMARKS OF SENATOR GRAMM

Senator GRAMM. I am confident that the Nation will survive Super 301, as it has survived many other things we have imposed on it, including Gramm-Rudman-Hollings.

The fact that Senator Danforth thinks so highly of this young lady, and knowing the work she did for him on Super 301, I give

her credit for the brilliance; I give him credit for the wrong-headedness. [Laughter.]

So, on that basis, I am highly supportive of her, and I appreciate having an opportunity to say a word.

The CHAIRMAN. Senator Bond.

OPENING STATEMENT OF SENATOR BOND

Senator BOND. Mr. Chairman, I want to join with the others in the fine things they have been saying about Susan Schwab. I apologize to my colleague from Missouri that I was not here to hear his opening remarks, but having talked with him many times about Susan Schwab, and having worked with her, I know of her qualities, her capabilities, and certainly I can appreciate the reason that Senator Danforth has recommended her so strongly.

I have called upon her for assistance and advice and counsel in the area of trade policy. Her in-depth knowledge and expertise are very impressive, and I think we are very fortunate now that she will be taking that experience to the United States and Foreign Commercial Service.

I feel very strongly that the US&FCS is a critical and very often overlooked agency, which has an extremely important mandate of providing export counseling and assistance to U.S. business. Unfortunately, the agency has undergone severe budget and personnel cuts over the past few years. It is now struggling to fulfill its mission.

I have had the pleasure of working with our offices overseas in trade missions that I have led as Governor, and then in my role as a Senator. And I have seen first-hand the opportunities that are there. Often, they are not met as a result of inadequate resources being provided the agency.

The person who takes over as head of the Service will face a tremendous challenge as they try to meet the needs of U.S. exporters with inadequate resources at hand. Later this week, I will be introducing a bill to address some of the problems of the US&FCS. I hope that some of my colleagues will join me in addressing some of the problems we face. I really think that the US&FCS ought to be concentrating totally on its mission of assisting exporters, and not being involved in trade policy matters, because we have an unmet need for assistance to exporters.

The figures are significant. We have about 250 companies or exporters that do 85 percent of our exports. But there are some 45,000 smaller businesses out there that could be participating in the export market, that could be generating jobs in the United States and providing good profits. But the US&FCS needs to have the resources to direct that task.

In the meantime, I am looking forward to working with Susan and her staff to make the agency as strong as possible, and I look forward to hearing today's discussion.

The CHAIRMAN. Thank you, Senator Bond.

Senator Shelby, any opening remarks?

Senator SHELBY. I want to welcome Ms. Schwab over here. I looked over her qualifications, and I am sure that, with Senator

Danforth's blessing and the blessing of the Senate, that you are going to jump right in this trade business.

I will commend you for your accepting the nomination, and look forward to support.

The CHAIRMAN. Let me ask you to stand, Ms. Schwab. I am going to give you the oath prior to your opening statement and questions.

[Whereupon, Susan Carol Schwab was duly sworn.]

The CHAIRMAN. Do you agree to testify before any duly constituted committee of the Senate?

Ms. SCHWAB. I do.

The CHAIRMAN. Let me allow you to make any introductory comments you would like to make.

SUSAN CAROL SCHWAB, OF MARYLAND, TO BE ASSISTANT SECRETARY OF COMMERCE AND DIRECTOR OF THE UNITED STATES AND FOREIGN COMMERCIAL SERVICE, VICE LEW W. CRAMER, RESIGNED

Ms. SCHWAB. Thank you.

At the outset, I would like to thank Senator Danforth for his kind remarks, and let him know once again that the years that I spent in the Senate working for him were among the happiest, most exciting and productive of my life, and I very much appreciate the honor.

Mr. Chairman, members of the committee, I am deeply honored to appear before you today as the President's nominee for Assistant Secretary of Commerce and Director General of the United States and Foreign Commercial Service. To one who has devoted a career to government service in the trade field, the US&FCS represents both the challenge and the promise of promoting America's best.

The importance of expanding American exports is one we have all come to recognize. The President has already spoken of it on several occasions. Secretary Mosbacher highlights it in virtually every speech he makes. And in the time I spent as a Senate staffer, I heard each one of you raise it on any number of occasions.

The United States and Foreign Commercial Service is an entity like no other, an elite group of professionals dedicated solely to development and promotion of American exports abroad.

I recognize the importance Congress places on these activities and, if reported favorably by these committees and confirmed by the Senate, look forward to working with you to fulfill its vital mission. The Service is and should be one in which we can all take pride.

I very much appreciate the willingness of both committees to convene this joint hearing, and look forward to answering your questions at this time.

Thank you very much.

The CHAIRMAN. Very good.

Let me note that Senator Gorton has joined us this morning. Do you have any comment you want to make at the outset of the hearing?

Senator GORTON. I have no statement.

The CHAIRMAN. Very good.

I might say, Ms. Schwab, that the professional staff that is here behind us at the committee table obviously also feels great pride in your achievement here, because many outstanding staff members over the years have gone on to important service in the Executive Branch, and so you have become a role model for many staff people serving here now who some day may follow in your footsteps.

I want to raise with you three questions here, and then I am going to give you some additional questions to provide answers for, for the record.

Your answer to one of the pre-hearing questions submitted to you I thought needed some clarification. It appears from your response that the Commerce Department presently has no US&FCS officers at the U.S. mission in Brussels monitoring and reporting on regulations being developed to implement Europe 1992.

You indicated that Secretary Mosbacher had written Secretary Baker about the matter. Can you tell us anything more about what problem there may be there, and whether we might be of some help in solving it?

Ms. SCHWAB. Given the importance that Secretary Mosbacher, you and other members of the Congress place on developments related to EC 1992, we believe that it is important to have Foreign Commercial Service officers serving at the U.S. mission to the EC, known as USEC.

At the present time there are no Foreign Commercial Service officers at USEC. Secretary Mosbacher has proposed to Secretary Baker that positions be made available for the Foreign Commercial Service. In fact, over the last few years, as I understand it, the Secretary of Commerce has proposed this to the Secretary of State and nothing has come of it.

The Secretary of Commerce also raised it with Ambassador-Designate Niles last week in Ottawa. But we do not yet have the State Department's response.

The CHAIRMAN. Would you keep us posted on that?

Ms. SCHWAB. Absolutely.

The CHAIRMAN. We are very much interested in that, and we want to be ready for Europe 1992 in every thoughtful way.

Another matter I wanted to raise with you, in March 1987 the GAO testified before the House Committee on Government Operations about its study on personnel management issues in the Foreign Commercial Service. In that testimony, GAO said the following, and I quote:

> We found a series of systemic problems in all areas we examined. These problems, taken together, give the impression of a breakdown in the management of the FCS personnel systems. We believe that personnel problems at the FCS have had a negative impact on the morale of the officer corps, and have diverted energy and attention from the goals of assisting businesses to expand exports.

That is a pretty tough sort of finding here. I am wondering, are you familiar with the testimony that was delivered by GAO at that March hearing, including its recommendations for correcting personnel practices at the FCS?

Ms. SCHWAB. Mr. Chairman, I am familiar with the testimony. I have had an opportunity to spend some time with Allan Mendelowitz of the GAO, who presented that testimony, and recently the GAO contacted the United States and Foreign Commercial

Service in anticipation of doing an update on their study of personnel practices.

As I understand it, a great many changes have been made in the personnel practices, and the GAO appears to have been fairly satisfied with the results. I believe the GAO will be issuing their follow-up study shortly.

The CHAIRMAN. Well, again, in that area I would appreciate it if you could make sure that, as a specific matter, you track through on this, and see to it that we have really addressed those issues and in fact have good answers. Or, if other steps are needed, to undertake to see that those steps are taken.

With that, I have other questions that I will probably have put in the record, but we have had other members join us and I want to acknowledge the presence of Senator Rockefeller, who of course is Chairman of the Foreign Commerce Subcommittee of the Commerce Committee. He is well known as taking a keen interest in the activities of the US&FCS, and has been particularly interested in how data on trade opportunities for American firms is collected, analyzed, and distributed to the U.S. business community and government trade policy-makers.

Senator Rockefeller, do you have any comment that you want to make with respect to this nominee? If so, I would ask you to do so now.

[The complete prepared statement of Senator Rockefeller follows:]

STATEMENT OF SENATOR JOHN D. ROCKEFELLER

Senator ROCKEFELLER. I am very pleased to be representing the Commerce Committee at this nomination hearing for Susan Schwab. She has been nominated to be an Assistant Secretary of Commerce and Director General of the United States and Foreign Commercial Service. I have known Susan for many years. I am happy, but not at all surprised, to see her nominated for an important position in the new Administration.

The US&FCS provides a critical Government function. As Chairman of the Foreign Commerce and Tourism Subcommittee, I have taken an active interest in the Service. My Subcommittee has worked with the US&FCS in several ways—we've held oversight hearings, asked the GAO for a report of the Service's information system, and met with offices in the domestic and foreign posts.

Through oversight hearings, we have searched for a means to measure the quality of service US&FCS provides. We need to know whether or not the US&FCS is meeting its mandate of helping small and medium-sized companies enter the export market. I recognize that the type of work US&FCS does—largely providing information and counseling—can be very difficult to quantify. Yet, in these budget-conscious times, we need to make sure we are getting full value from your $80 million budget.

As the GAO's preliminary study made clear, one of the weakest links of the Service is the Commercial Information Management System (CIMS). The failure of the CIMS system to meet its goal is very disappointing to me. While I know that you and the present management of Commerce are not responsible for the inefficiencies

of the past, I am counting on all of you, as I made clear in Secretary Mosbacher's confirmation hearing, to straighten out this disastrous situation.

In today's international marketplace, the saying "knowledge is power" is truer than ever. Timely and accurate information is a critical tool we need to give the entrepreneur looking to export. Towards that end, I hope you bring CIMS, or whatever information system you decide is necessary, fully on-line quickly.

I've told you what I see as the challenge for your tenure as Director General. Now, let me tell you what I see as the opportunity.

Our trade policy needs to have a one-two punch—aggressive market opening efforts followed by aggressive exporting. We've taken a first step with the Omnibus Trade Act and the Super 301 provision you worked so closely on. Our Trade Representative, Ambassador Carla Hills, has used the new authority to name our largest potential market, Japan, as a country that has maintained a pattern of unfair trade barriers that are harmful to the United States. She also has indicated that we will enter into a structural dialogue with Japan. If our Government approaches these negotiations in a forceful and unified way, we may succeed in breaking through some of Japan's barriers. We must use all the resources at our command.

Even success in that process, however, would be an empty opportunity unless we step in with the second punch of getting American business over to, and working in, foreign markets. The business of America is not negotiating, but creating, developing, manufacturing and selling. The American Government is going to have to work harder, and so is American business.

Towards this end, I hope you will go beyond the letter of the US&FCS mandate to the spirit of it. Potential U.S. exporters need not only assistance, but encouragement, support, and education. They need to understand the benefits of exporting and to learn how to do it.

You served in the American Embassy in Tokyo as a Trade Policy Officer, for the State Department I don't need to tell you that the most important market in terms of potential opportunities is Japan. I hope you will devote appropriate resources, in terms of people and dollars, to this market. The US&FCS can make a real contribution to reducing our trade deficit with Japan.

I am delighted to praise the nominee, Sue Schwab, who I think is one of the best people on the Hill, and will be one of the best people in the administration.

She has the background, she has the Japan knowledge, she has USTR experience. She has served in Tokyo. She is known as tough and effective. Not all Japanese will welcome this appointment, but they will respect it, because Sue Schwab is intellectually prepared and has the experience to do the job.

I would, Sue, only ask that you go beyond your mandate in your new work; not just a matter of doing what we should in the United States and Foreign Commercial Service, but really pushing the idea of trade. I think that we have been lax in our Government, and I know that we have been lax in our private sector, with respect to exporting. And I know that that is used often by our trading partners as a crutch, as they excuse their own deficiencies.

But you and I know it is true. Our people do not make the effort to find export opportunities. They do not make the effort to learn the foreign languages, such as Japanese and others. And frankly, we have been settled on our own market for so long that the very small and medium-sized businesses that you are working to help, in terms of increasing their exports, are the least likely to know about their export opportunities.

In a State like West Virginia, it is a small State, a rural State, but in fact it is third among States in terms of States who export a percentage of their gross State products. It is about 17 percent. The national average is 11 or 12. And yet, our people do not know it. We still look upon exporting as—except for coal, we look upon exporting as something you do to Iowa or California, and not overseas.

So I hope that you really will be hard on us in Government, in the Executive and the congressional branch and on industry, in really meeting not just the mandate of US&FCS, but also the spirit of it.

I have only one question, Mr. Chairman. With respect to Japan, in that our greatest trade gap is with them, and obviously they get all kinds of attention, would it be your intention, or how do you see right now our export promotion activities with that country? What do you see as their deficiencies, our deficiencies? And do you think that there should be sort of a special effort made in that direction? Or in fact, with your 1,200 employees, is that really not possible?

Ms. SCHWAB. In response to your first question and comment, I know that you consider trade as a national priority. I do the same, and you can be certain that I will do everything I can.

As regards United States-Japan trade, in terms of getting into the Japanese market, we have a good example of where the line between trade promotion in its traditional sense, and trade policy in its traditional sense, gets sort of fuzzy. We need to do more to get into the Japanese market.

This committee, both of these committees, have been very much involved in the access side of the trade equation. I do believe that the US&FCS needs to make a special effort, and does make a special effort, to assist small and medium-sized businesses, and in some cases bigger businesses, in getting into the Japanese market.

We have an impressive presence in Japan for us, I mean given our constraints. Several Japanese-language officers and, yes, you can assume that I will certainly place emphasis on expanding U.S. exports to Japan.

Senator ROCKEFELLER. Do you think the Japanese, as a result of this Super 301 action I think properly taken by our Government will be more difficult? Do you think they are going to be intransigent, as they indicate, or that in fact this is something that has really been needed for years in terms of the two—the relationship between the two countries becoming practical and mature?

Ms. SCHWAB. Obviously, I support Super 301, and I support the Administration's action on it. As you know, USTR is in the lead on that. I do not really believe that it will make a substantial amount of difference in terms of the mandate of the United States and Foreign Commercial Service.

I think that the Japanese recognize that the best way of defusing the trade tensions is for them to be buying more from foreign countries, including the United States.

Senator ROCKEFELLER. I thank the Chair.

The CHAIRMAN. Thank you, Senator Rockefeller.

I want to say one more thing before yielding to Senator Danforth. That is, I see from your résumé that at one time in your career you were a foreign service officer assigned to our embassy in Tokyo. So you have first-hand experience in that setting.

I am going to ask you—not now, given the pressure of time—but I am going to ask you, for the record, based on your experience there and your other professional work on trade matters, both in the Senate and otherwise, what you think are the main causes for our massive trade deficit with Japan that continues to stay upon the $50 billion-a-year bilateral deficit area year after year.

So I am going to ask you to give a rather complete answer to that, for the record.

With that, let me yield to Senator Danforth.

Senator DANFORTH. Thank you, Mr. Chairman.

Sue, would you please introduce to the committee your family.

Ms. SCHWAB. Yes. Mr. Chairman, and members of the committees, I would be delighted to introduce my parents, Gerald and Joan Schwab, my sister, Teresa, and her fiance, David Herring.

The Chairman. We are delighted to have you before the committee today.

Senator DANFORTH. Let me just ask you one question, and expand on it at whatever length you like.

How does the United States and Foreign Commercial Service fit within the Commerce Department, and more generally, within the Administration? Is it viewed as a poor stepchild? Is it seen as something to be stuffed into a closet somewhere and forgotten? Or, is it viewed as something of importance?

And how does the Director General fit within the apparatus of the Commerce Department? Are you going to be an administrative officer who deploys Foreign Commercial Service people, do you have some sort of policy role, some sort of relationship with the Secretary, in trying to devise Department policy and Administration policy on trade?

Ms. SCHWAB. I guess I would start by noting that the United States and Foreign Commercial Service is a rather young agency. For all intents and purposes, it was only formed in 1980, so it has not yet completed its first decade.

I believe, as I noted earlier, that the agency is a remarkable one. It is unique. It is unique among government agencies in its role of collecting market information for would-be exporters, processing that information, counseling American business to assist in export abroad, and providing marketing and promotion services.

It is an agency like no other, and should be perceived for what it is: prestigious, and unique, and contributing something very, very important to the United States.

Within the Commerce Department—obviously, the United States and Foreign Commercial Service is the United States and Foreign Commercial Service; it is not just of the Department of Commerce. US&FCS represents U.S. business as a whole overseas within the

Department of Commerce. If confirmed, I will be serving as one of four Assistant Secretaries in the International Trade Administration.

A gentleman by the name of Mike Farren has been nominated by the President to be the Under Secretary for ITA. Most of the international trade policy activities of the Department of Commerce, other than the export control side of the equation—because that is a separate bureau—are handled by and large through the International Trade Administration.

I have had any number of opportunities since I have been at the Commerce Department to be in meetings with Secretary Mosbacher and others, talking about export promotion, and also in discussions on policy matters.

Senator DANFORTH. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Gramm.

Senator GRAMM. Thank you, Mr. Chairman.

Mr. Chairman, before I ask Ms. Schwab questions, I am going to have to leave before Mr. Dellibovi appears before us. I would just like to say, Mr. Chairman, that I worked with him in his previous incarnation. He is a good man. In Texas, we would call him a top hand. They use similar language in New York, I am sure.

I have enjoyed working with him. He has always been kind to me and to my State. I assume that kindness will continue and flourish. And so I strongly support his nomination.

Ms. Schwab, do you believe that Japan's protectionism hurts them more, or hurts us more?

Ms. SCHWAB. I would say Japan's protectionism hurts all of us. It certainly hurts the global economy.

Senator GRAMM. Who loses more from their protectionism? Japan, or us?

Ms. SCHWAB. I would say the Japanese consumer is clearly the most damaged. But, personally, I am most concerned about the losses incurred by U.S. exporters, who should be doing business there.

Senator GRAMM. Do you have any concern that the result of this Super 301 action might well be another set of voluntary restraints agreements, where our consumer will be hurt but no markets for American goods will be opened? What would you think of that kind of agreement?

Ms. SCHWAB. I would strongly encourage you to address those questions to the U.S. Trade Representative's Office, as they are sort of the "head honcho" for Super 301. I think, though, that you will find, looking at the list of practices that Mrs. Hill cited last week that those are not import-related issues. Those are clearly product sectors where the United States is export-competitive.

Senator GRAMM. As a policy-maker in the Department of Commerce, what would your reaction be if, in responding to the action we have taken under Super 301, the Japanese proposed as a remedy voluntary restraint agreements that would lower their exports to the United States?

Ms. SCHWAB. In the context of the Super 301 case, I do not honestly see that as a realistic option.

Senator GRAMM. OK.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator D'Amato.

Senator D'AMATO. Mr. Chairman, I have no questions. I just wish Ms. Schwab well in the job. It is an important job, contentious as you know, and I think we need someone who is going to let the Japanese know in no uncertain terms that we are looking for fairness.

That is really what I think the message should be, loud and clear, that free trade is fair trade.

Ms. SCHWAB. Thank you, Senator D'Amato.

The CHAIRMAN. Senator Bond.

Senator BOND. Susan, one of the things that obviously has been a real problem for the US&FCS is the commercial information management system. Given the fact that the US&FCS budget has been declining significantly in real terms over the past year, and the large number of vacancies in both the foreign and domestic offices, do you think that you can get this up to full operating potential? And can you succeed with the resources that you have available?

Ms. SCHWAB. I think it clearly has to be one of our top priorities at the US&FCS. The US&FCS performs a number of very important functions for would-be exporters, and I would say that the collection and dissemination of data related to trade opportunities is one of the single-most important services we can offer.

The CIMS program, as you know, has run into some problems. It is, as I understand it, on its third set of acronyms. You can be certain that I will consider it one of my top priorities.

I am assured that the leadership of the International Trade Administration and the Department of Commerce will take an interest in it. There are two reviews that have just been, or are about to be, initiated to step back and take a look at CIMS, both from a technical perspective and in the context of the strategic plan for the future. I hope we will be successful in getting it back on track.

Senator BOND. In our State, we attempted to work closely with the export promotion information system, EXMO. And while it had a tremendous potential, I am not sure that we ever realized that potential.

As I have indicated earlier, and you know well, many States as well as local entities have export agencies. Do you think the US&FCS is working well with them? Do you have any suggestions on how you can do a better job coordinating with the existing apparatus already in the field?

Ms. SCHWAB. My impression is that our domestic district offices do a very good job working with State development agencies, both in the United States and abroad, because as you know, some State offices have a presence abroad, and sometimes the mandates are different.

Some State development agencies spend as much time promoting inward investment as they do promoting exports. And certainly, promoting exports is the principal responsibility of the United States and Foreign Commercial Service.

I would be delighted to look for any opportunity to enhance US&FCS activities, to use multipliers to work with States. I think it is extremely important that this be a nationwide effort.

Senator BOND. I think there are tremendous opportunities for increased cooperation, at least on the export side. The Small Business Administration has some export promotion and counseling functions. How would you propose to coordinate your activities with the SBA, and what other agencies do you see in the field as needing assistance, needing cooperation from your agency?

Ms. SCHWAB. I am aware that the Small Business Administration has been given a sum of money for the purpose of promoting exports. I gather that the US&FCS and the Small Business Administration work quite closely together. The expertise in the area of export promotion and market opportunities and the information lies with the United States and Foreign Commercial Service, and the SBA does a fair number of referrals to US&FCS.

SBA also helps fund a few of our matchmaker trade delegation participants. Beyond that, I think that you probably read Mrs. Engeleiter's comments. She is interested in working more on the export side, and I know that we will be working as closely as we can with the Small Business Administration.

Senator BOND. With the measure I am going to be introducing, we are going to expressly provide that the US&FCS is the lead agency, and that the SBA should work in cooperation with it, to make sure that we do not have a duplication of effort and that we have an effective focused effort.

Speaking of focusing the effort, with limited staff—and I have seen this as a real problem—do you have any thoughts or changes as to how you would allocate the staff and how you would be proactive in getting more mileage out of the resources that you do have available at the staff level of the US&FCS?

Ms. SCHWAB. I think it is very important for any agency with constraints on resources to do the best it can with the money that it has available. And I think that there is a strong case to be made for a continuous review process to assess the Service and the services being provided.

Senator BOND. But where would you change the allocation? Do you have any ideas right now?

Ms. SCHWAB. It would be presumptuous of me to pretend that I know that much about exactly where resources are currently allocated. What I would say is that, in my experience with the US&FCS, I think that there has been a decided focus on getting as many small and medium-sized businesses out marketing and exporting.

I think that that should be our focus. I think we can do it better. We should be exploring ways of doing that. You mentioned cooperation with State development agencies. That is a very good example of using multipliers with existing resources.

Senator BOND. Thank you for your testimony. I would suggest, based on anecdotal experience, that you might want to direct more personnel actually to serve in those countries where we have the greatest potential. Because we have seen badly-overworked single-person representatives in countries which have an opportunity to be major importers from the United States.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Bond.

Senator Pressler.

Senator PRESSLER. Thank you very much.

On Senator Danforth's recommendation, I strongly support you. Let me ask you what you think the Government's salary range will do to the people you have to retain. Are you able to hire enough people in your department? Has there been a problem?

You will probably hear what is going on. We are told that the fact that Congress did not have a pay raise has resulted in difficulty in recruiting people into executive branches for the various civil service jobs and the support jobs.

Is that a problem, and what is your assessment of it?

Ms. SCHWAB. As I understand it, that has been a problem. I know that at least one of the GAO reports cites it as a problem. In some of the cities that the United States and Foreign Commercial Service serves, the cost of living is somewhat higher than that reflected in current civil service wages and salaries.

So as I understand it, we frequently lose people to the private sector. But this is not just a United States and Foreign Commercial Service problem, obviously. This is a problem that I think we find throughout the U.S. Government.

Senator PRESSLER. Thank you, and thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Pressler.

Before calling on Senator Exon, I just want to say that it is quite a feeling today to have so many good friends from the Commerce Committee here. It makes me nostalgic for the 12 years that many of us spent together on that committee. And I am delighted to see you all. If you would like to come on back over here and spend some time with us helping us wrap up the savings and loan problem, we can use the help over here. [Laughter.]

We would be happy to have you come and share your thinking on that, as well.

Senator Exon.

Senator EXON. Mr. Chairman, thank you very much, and I appreciate your kind invitation.

Ms. Schwab, I want to welcome you here, and I want to first start out by saying how pleased I am with this nomination.

I have had the opportunity to work with you when you served with great distinction on the Commerce Committee, and I know first-hand of your interest in international affairs and trade. Therefore, I am enthusiastic about your appointment and what it can do to help us out around the world, as we work together and try to overcome what I think is a major problem that we all recognize very well. That problem is, the imbalance of trade.

One of the factors in that area that I would like to ask you about and explore your position on has to do with the barter office, that was included in the last trade bill that I had worked on in this committee. I believe that you and I have discussed this from time to time, and I am sure that you are aware of this.

The purpose of this, of course, is to monitor and organize and disseminate information related to international barter, and to notify and assist all Federal agencies and also private entrepreneurs, of potential barter opportunities around the world.

I was very pleased during the hearing of the Secretary to find that he gave enthusiastic support to this, and said that he felt it was indeed proper that we pursue this area. With your background

and with your experience, and looking into the immediate future, what are your views of the use of barter and counter-trade? And what role will the Foreign Commercial Service play in fulfilling the mandate of the trade bill with regard to identifying barter opportunities and then pursuing them?

Ms. SCHWAB. I believe that barter and counter-trade, while still a relatively small part of our international commerce, is obviously of growing importance. The office to which you refer has been established, as I understand it, in the Office of Trade Development in the Department of Commerce. And I am certain that the United States and Foreign Commercial Service will be working with them to help identify such opportunities.

When the Foreign Commercial Service officers identify opportunities abroad, they are disseminated across the country. To the extent that some of these transactions might be the subject of barter or counter-trade, it would be an interesting issue to explore, and I will certainly look into it.

Senator EXON. Well, thank you, and I want to work with you on this. It seems to me that, for far too long, we have used the almighty dollar as the only barter, as the only measure of trade. I am sure that you understand full well that, especially with some of the developing nations, they just do not have the cash to trade with us as sometimes they would like, and certainly as we would like them to do. I think it is an area that needs further expansion, and thank you for your interest in it.

One of the other things that I am concerned about is that I am wondering if my fears are well-founded. Maybe in some of our nation's embassies there develops a pecking order among the various Federal agencies, with the State Department officials at the top, followed closely by Treasury, and with the Department of Commerce officials on the lower end of that pecking order, if you will.

If this is true, it is unfortunate. Because as the world moves away, I suggest, from strength measured in terms of military might to strength measured in terms of economic power, which the Japanese have taught us a number of lessons on, commercial officers must be our front-line forces in the economic battle field.

What can be done to boost the prestige and the effectiveness and the morale, if you will, of the fine men and women serving in the Foreign Commercial Service? First, do you agree with my concerns? How valid do you think they are? And, if they are true, what can we do to help?

Ms. SCHWAB. Senator, I suspect with respect to your concerns that the situation varies by embassy. The Congress has already taken an important step to help the status of Foreign Commercial Service officers abroad. In last year's trade bill, you included 8 minister counsel positions, and those have now been established in the 8 largest posts of the Foreign Commercial Service.

There is also a provision in the trade act that encourages the Department of State to allow the Foreign Commercial Service to post an officer as counsel general, or as a deputy chief of mission or ambassador, in posts where U.S. commercial interests are paramount. The US&FCS has not been able to do that yet, but that encouragement in the legislation helps a great deal.

Senator EXON. I have one last question, Mr. Chairman, with regard to what Ms. Schwab thinks on how we might be helpful in overall trade promotions. In response to a question that I understand was submitted to you by staff, you indicated that you felt that certain State offices that operated in foreign countries had done some good in this area. I think that is accurate.

Do you think that the Federal Government possibly should take a larger role in coordinating the State efforts, or helping them to attract foreign investments, so that the States are not needlessly competing with one another in that area?

Ms. SCHWAB. I am really not sure, Senator Exon. I do know that the principal mission of the United States and Foreign Commercial Service is the promotion of American exports, and that to the extent that the US&FCS gets involved in the issue of inward investment, it is really only as a peripheral matter, and that the State offices clearly take the lead in that.

Is it the position or the role—or should it be the role of the Federal Government to tell States what they should and should not be doing in the way of attracting inward investment? I am not so sure.

Senator EXON. Thank you, Ms. Schwab. And thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Exon.

Ms. Schwab, I am going to have some questions for the record that I will submit to you, and other members may have as well. Let me inquire: Does anybody else have anything else they want to raise?

[No response.]

The CHAIRMAN. If not, I think we have built a very strong record today. You bring in a very fine background and history of experience and achievement. I think the exchanges today add to that. I very much look forward to our reporting your nomination out favorably quite soon.

With that, let me thank my colleagues from the Commerce Committee for their kindness in coming over this morning. We are delighted to have you, and hope we will have other occasions to meet jointly.

Senator DANFORTH. Thank you very much, Mr. Chairman.

The Chairman. Thank you.

Let me now excuse the witness.

[The witness, Ms. Susan Carol Schwab, was excused.]

[Whereupon, the Committee proceeded to other business.]

[Biographical sketches and response to written questions follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: SCHWAB (LAST) SUSAN (FIRST) CAROL (OTHER)

Position to which nominated: Assistant Secretary of Commerce Director General, US&FCS Date of nomination: April 4, 1989

Date of birth: 23 (DAY) 03 (MONTH) 55 (YEAR) Place of birth: Washington, D.C.

Marital status: Single Full name of spouse: n/a

Name and ages of children: n/a

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Williams College	9/72-6/76	BA	1976
Stanford University	9/76-6/77	MA	1977
George Washington University	1/86-4/89	PhD Program	

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1972 U.S. Military Assistance Command; education scholarship (Bangkok, Thailand)

1975 Mead Government Internship Award (Williams College)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Trade Policy Forum	Member Executive Committee	1988-89
Council for International Exchange of Scholars	Member/NE Asia Screening Committee	1987-88
Overseas Development Council	Member/Policy Steering Committee	1987-88
Academy of International Business	Member	1987-88

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Legislative Director; Senator John C. Danforth;
U. S. Senate, Washington, D.C.; 4/86-3/89

Legislative Assistant; Senator John C. Danforth;
U. S. Senate, Washington, D.C.; 2/81-3/86

Trade Policy Officer; Department of State;
American Embassy, Tokyo, Japan; 3/80-2/81

International Economist/Trade; U. S. Trade Representative;
Washington, D.C.; 10/77-8/79

Clerk-Typist; Department of State (Office of Southern
African Affairs) Washington, D.C.; 6/76-8/76

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

See employment record.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

- "Japan and the U.S. Congress: Problems and Prospects"; Journal of International Affairs: Columbia University; Summer 1983
- "Politics, Economics and the U.S. Trade Policy"; Stanford Journal of International Law; Stanford University; June 1987
- "Korea: A Congressional Commentary" (with Ira Wolf); Korea-U.S. Relations: Changing Political, Strategic and Economic Factors; University of California/Berkeley; 1988
- "The Last Trade Bill?"; The International Economy; Vol. 1/No. 1; Fall 1987

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

1982-88	Occasional participation in National Republican Senatorial Committee seminars/briefings on trade issues.
1984	Reagan-Bush volunteer work
1988	Responses to Bush-Quayle campaign inquiries on trade issues.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See attachment A.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

n/a

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

ATTACHMENT A

QUALIFICATIONS TO SERVE AS
DIRECTOR GENERAL OF THE
U.S. & FOREIGN COMMERCIAL SERVICE

I believe that I am qualified to serve as Assistant Secretary of Commerce and Director General of the U.S. & Foreign Commercial Service (US&FCS) by virtue of my previous work experience, my academic training, and a demonstrated commitment to the service of my country.

My career in the field of international trade has provided me with over eleven years of hands-on trade policy experience. I served as a U.S. negotiator at the Tokyo Round of Multilateral Trade Negotiations during my tenure at the Office of the President's Special Representative for Trade Negotiations (now USTR). As a Foreign Service Officer, I lived and worked in Japan, spearheading the U.S. Embassy's involvement in telecommunications access negotiations. My tenure as a Senate staffer consisted of service as Senator John C. Danforth's Legislative Assistant for trade matters for five years and as his Legislative Director for three years. During this period I was actively involved in various trade measures before the Congress, including several provisions enacted into law in the Trade and Tariff Act of 1984 and the Omnibus Trade and Competitiveness Act of 1988.

My work in the trade field has brought me into contact with the broadest possible range of individuals and opinions in the U.S. Government, the private sector, and abroad. In particular, my exposure to and work with major trade associations, small and medium-size businesses, farm and agri-business groups, has given me an appreciation of the importance of exports and export promotion to the U.S. economy that has translated directly into my activities in each job I have held. Similarly, I can claim an appreciation of both the domestic and foreign components of the US&FCS in my work with state government and development agencies, and with many of the men and women who currently serve in the US&FCS at home and abroad.

My academic training in development economics, international trade, public administration, and international business should hold me in good stead for the position -- as will the management experience I gained in my years in the U.S. Senate.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

Government employee

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None (all activities related to legislation undertaken as government employee)

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will consult with the General Counsel of the Department of Commerce and, if appropriate, divest myself of conflicting interests, recuse myself, or obtain a waiver of conflict of interest restrictions under 15 U.S.C. §208(b) if the interest is not substantial.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

ERNEST F. HOLLINGS, SOUTH CAROLINA, CHAIRMAN
DANIEL K. INOUYE, HAWAII
WENDELL H. FORD, KENTUCKY
J. JAMES EXON, NEBRASKA
ALBERT GORE, JR., TENNESSEE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
LLOYD BENTSEN, TEXAS
JOHN F. KERRY, MASSACHUSETTS
JOHN B. BREAUX, LOUISIANA
RICHARD H. BRYAN, NEVADA
CHARLES S. ROBB, VIRGINIA
JOHN C. DANFORTH, MISSOURI
BOB PACKWOOD, OREGON
LARRY PRESSLER, SOUTH DAKOTA
TED STEVENS, ALASKA
ROBERT W. KASTEN, JR., WISCONSIN
JOHN MCCAIN, ARIZONA
CONRAD BURNS, MONTANA
SLADE GORTON, WASHINGTON
TRENT LOTT, MISSISSIPPI
RALPH B. EVERETT, CHIEF COUNSEL AND STAFF DIRECTOR
WALTER B. MCCORMICK, JR., MINORITY CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION
WASHINGTON, DC 20510-6125

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

(If more space is needed, please use attached REMARKS sheet)

A. BIOGRAPHICAL DATA

1. Name: SCHWAB (Last) SUSAN (First) CAROL (Other)

Address: 6642 Hillandale Road (Current residence) Chevy Chase, Maryland 20815

14th & Constitution Ave., N.W. (Business) Washington, D.C. 20230

2. Position to which nominated: Assistant Secretary of Commerce Director General of US & FCS

Date of nomination: April 4, 1989

3. Date of birth: March (month) 23 (day) 1955 (year)

Place of birth: Washington, D.C.

4. Marital status: Single

Full name of Spouse: n/a

5. Names and ages of children: n/a

6. Education:

Institution	Dates attended	Degrees received	Dates of degrees
Williams College	9/72-6/76	BA	1976
Stanford University	9/76-6/77	MA	1977
George Washington University	1/86-4/89	PhD Program	

7. Employment record: List all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

From	To	Name of employer	Address	Type of work
4/86	3/89	Senator John C. Danforth	U.S. Senate	Legislative Director
2/81	3/86	Senator John C. Danforth	U.S. Senate	Legislative Ass't.
3/80	2/81	Department of State	American Emb. Tokyo, Japan	Trade Policy Officer
10/77	8/79	U.S. Trade Representative	Washington,DC	Int. Economist/Trade
6/76	8/76	Department of State	Washington,DC	Clerk-Typist

8. Government experience: List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary or other part-time service or positions.

See employment record.

9. Political affiliations activities: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 10 years.

1982-88	Occasional participation in National Republican Senatorial Committee seminars/breifings on trade issues.
1984	Reagan-Bush volunteer work
1988	Responses to Bush-Quayle campaign inquiries on trade issues.

10. Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable, and other organizations.

Member, Executive Committee; Trade Policy Forum (1988-89)

Member, Northeast Asia screening co[illegible]tee; Council for International Exchange of Scholars (Fulbright Program) (1987-88)

Member, Policy Steering Committee; Overseas Development Council (1987-88)

Member, Academy of International Business (1987-88)

11. Honors and awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1972 U.S. Military Assistance Command; education scholarship (Bangkok, Thailand)

1975 Mead Government Internship Award; Williams College

12. Published writings: List the titles, publishers, and dates of books, articles, reports, or other published materials you have written.

- "Japan and the U.S. Congress: Problems and Prospects"; Journal of International Affairs; Columbia University; Summer 1983
- "Politics, Economics and the U.S. Trade Policy"; Stanford Journal of International Law; Stanford University; June 1987
- "Korea: A Congressional Commentary" (with Ira Wolf); Korea-U.S. Relations: Changing Political, Strategic and Economic Factors; University of California/Berkeley; 1988
- "The Last Trade Bill?"; The International Economy; Vol.1/No. 1; Fall, 1987

OVERVIEW--ACCOMPLISHMENTS

QUESTION:

1. The US&FCS is a young agency. Since its creation in 1980, what have been the Service's most important accomplishments?

ANSWER:

Ten years ago, the United States did not have a government service dedicated solely to the promotion of American exports. Today, the U.S. and Foreign Commercial Service can claim a presence in communities across the country and in 65 countries around the world. It is composed of a high caliber commercial officer staff with remarkable foreign language capability, extensive business experience and credentials, and a unique sensitivity to U.S. companies' trade needs. The information and services our officers are able to provide and their ability to represent American business interests abroad makes the Service a unique case study in government-business cooperation in the trade field.

One accomplishment of the Service that deserves particular note has been its ability to tailor many of its programs to the needs of small and medium size business. For example, the US&FCS has been at the forefront of the development of low cost trade promotion techniques, like the Matchmaker Trade Delegations, the US&FCS export magazine Commercial News USA, and the Comparison Shopping Service, which focus on the export assistance needs of new to export new to market companies.

PRIORITIES

QUESTION:

2. Please identify your major goals for your tenure as Director General of the US&FCS.

ANSWER:

Although I am not yet in a position to enumerate specific goals for my tenure as Director General, I would like to share with the Committee some thoughts on the overall objectives of the Service.

As you know, a number of studies somewhat critical of the US&FCS have been issued in recent years by the GAO, Commerce's Inspector General, and various Congressional Committees. I have read most of these studies and intend to use key criticisms and recommendations in them as part of the "baseline" for my approach to the management of the US&FCS. For example:

- With respect to CIMS, the US&FCS needs to get various problems resolved and the project back on track. No other US&FCS initiative has such potential for US exporters.

- The US&FCS should work to ensure that it receives the highest payoff for every dollar spent. In light of budget realities, the US&FCS must continue to look for creative ways to make its programs and people even more effective.

- The US&FCS should consider a more coherent focus by periodically reviewing programs to make sure they are addressing the needs of the business community. By doing this the US&FCS will ensure the most effective allocation of resources and to make certain its message is reaching U.S. business community.

QUALIFICATIONS

QUESTION:

3. You have never been in business, yet you have been nominated to head a vital service for the business community. Why do you feel you are qualified for the job.

ANSWER:

The US&FCS is a unique Government agency created for the purpose of assisting American business in the promotion and development of exports. I am confident that the positions I have held in government, my work with the private sector, and my experience overseas will hold me in good stead to undertake the challenges confronting the US&FCS. My background touches many areas:

- o eight years of international trade and supervisory responsibilities in the Senate have given me a unique perspective on congressional objectives and private sector needs in the trade field;

- o as a former foreign service officer and trade policy official at the American Embassy in Tokyo, I know what it means to be on the front lines in the effort to promote American exports abroad;

- o as a former trade negotiator I understand the importance of making gains for U.S. business in the international trade arena; and

- o as a member of a foreign service family and one who was raised in Europe, Africa and Asia, I have a firsthand knowledge of many of this country's most important trading partners.

US&FCS ADVISORY COUNCIL

QUESTION:

4. In 1987, former Director General Alex Good told the Foreign Commerce and Tourism Subcommittee of plans to start an advisory council. Please give us an update of the status of the US&FCS advisory council.

ANSWER:

The charter for the US&FCS Advisory Council was signed in February of 1988. I understand that in the following months, members were nominated and that all necessary security assurances were completed in January of 1989.

The 30 members of the US&FCS Advisory Council were selected to advise the Secretary of Commerce on matters pertinent to the operations, programs and services of the US&FCS and its related worldwide export promotion programs. They represent the private sector and state and local government trade offices.

I am told the Advisory Council has never met. If confirmed by the Senate, it would be my intention to convene the group for a meeting and to begin work within the next few months.

BUSINESS SURVEY

QUESTION:

5. In 1987, Alex Good told the Subcommittee of plans to send out a questionnaire to American businessmen to ask them about their experiences with the US&FCS activities. In 1988, the Subcommittee learned that the questionnaire had received verbal clearance from the Office of Management and Budget (OMB) and would be sent out in the "near future". Has that questionnaire been sent out? May the Subcommittee have a copy of the questionnaire? Are results and findings available?

ANSWER:

The time schedule for conducting the Client Counseling Survey calls for three mailings during FY1989 and with the final report to be prepared by the end of the year. I understand that the first 320 clients from 16 US&FCS District Office territories were sent survey forms on March 20; the second mailing of 300 were sent on May 9. The final mailing is scheduled for June. In the interim, statistics on the range of responses are being compiled and substantive comments organized for inclusion in the final report. A copy of the OMB approved-form (ITA-735P) is attached.

Attachment

OMB No. 0625-0196
Expires 6/30/91

FORM ITA-738P
(10-88)

U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
U.S. and Foreign Commercial Service

CLIENT COUNSELING SURVEY

This report is authorized by law (15 U.S.C. 171 et seq. and 15 U.S.C. 1512 et seq.). While you are not required to respond, your response will assist us in improving our services.

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Reports Clearance Officer, International Trade Administration, Room 4001, U.S. Department of Commerce, Washington, D.C. 20230 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

If you do not recall receiving export counseling assistance from one of our District Offices, please check this box and proceed to Section B ☐

SECTION A: Client Counseling

US&FCS District Office servicing client: _____

Please rate the counseling assistance your firm received from the Department of Commece District Office on a scale of 1-5 (5 being the most favorable assessment). See definitions below:

(5) Outstanding
(4) Above Average
(3) Satisfactory
(2) Minimally Satisfactory
(1) Unacceptable

	QUALITY OF COUNSELING ASSISTANCE			
	Trade Specialist Knowledge of Subject Matter	Responsive to Firm's needs	Provided on Timely Basis	Not Applicable
GENERAL COUNSELING				
• Advice on use of Commerce and other Federal agency export development programs, (e.g., Trade Opportunity Program, Agent/Distributor Service, Agency for International Development programs, Foreign Agricultural Service/Agn. Dept. programs)				
• Seminars/workshops sponsored by the District Office				
• Identification of product and/or country export potential				
• Shipping and documentation procedures				
• Banking and finance information				
• Other: _____				
EXPORT LICENSE COUNSELING AND FACILITATION				
• U.S. Government export control regulations and procedures				
• Specific license application(s), shipment clearances, and documentation requirements				

If you indicated a low rating for any of the above categories, please explain your concerns. Any additional comments, suggested changes in current services or ideas for new services would be appreciated _____

_____

_____

_____

(If additional space is needed, please use the reverse side of this form.)

USCOMM-DC 89-20C30

EVALUATION METHODS

QUESTION:

6. In the Subcommittee's oversight hearings on the US&FCS, we have been continually searching for a way to measure the value of services that the US&FCS provides. Do you have any suggestions?

ANSWER:

Honest evaluation of programs and services is critical to ensuring a quality product or service. The US&FCS, too, has been searching for the most accurate means of evaluating its effectiveness in serving the business community. Unfortunately, the most obvious measure, exports in dollars, is also the most difficult to track. As a general matter, it remains easier to measure activities than to measure accomplishments.

Therefore, the US&FCS has tended to rely on comparative measures for evaluation, for instance:

- There is evidence that more than 20,000 new companies have entered the export market in the last year.

- Participation by small and medium-sized companies in US&FCS overseas events is up sharply. Based on profile data supplied by trade event participants, 67 percent more of these firms took part in events in FY 1988 than 1989. Many were attracted to low cost events such as catalog shows and matchmaker delegations.

- In FY 1988, a record 173,600 business people attended more than 2,700 domestic seminars, the majority of which were representing small- or medium-sized firms.

SMALL, MEDIUM-SIZED BUSINESS EXPORTS

QUESTION:

7. According to the U.S. Chamber of Commerce, 250 companies accounted for nearly 70 percent of all exports. Do these figures suggest that small and medium-sized businesses cannot impact the export market?

ANSWER:

Absolutely not. In fact, these figures may well suggest that small and medium-sized companies have the greatest marginal potential for growth in exports. This underscores the importance of the many US&FCS programs specifically designed for small and medium-size businesses and the need for US&FCS to do a better job of reaching potential participants.

In this regard, the committee may be interested in FY88 figures of smaller versus large business participation in selected US&FCS programs:

- Matchmaker Delegations - 100 percent of the 205 participants;
- Commercial News USA - 96 percent of the 1,225 participants;
- Foreign Buyer Program - 80 percent of 1,900 U.S. participants;

Anecdotal evidence suggests that many small and medium-sized businesses can claim successes from involvement in these programs. For example, a one-time, $250 listing of a $4.50 smoke detector in the April Commercial News USA brought a Maryland firm $100,00 in sales, 2 overseas agents in negotiation, and 175 sales leads.

ROLE OF TRADE POLICY

QUESTION:

8. We often hear: "Trade policy is the step-child of foreign policy." Can we expect to see a higher priority placed on trade policy in the Bush Administration?

ANSWER:

Yes, and the evidence is clear. Both the President and Secretary Mosbacher have made it known that they consider trade, and specifically export promotion a national priority. The President has noted that the growth of commerce, both nationally and internationally, is key to guaranteeing that America's most productive and prosperous days are still ahead. In the President's January 26 address to government employees and in virtually every speech of Secretary Mosbacher's around the country the government's commitment to export promotion has been cited.

I believe this Administration understands the impact trade and trade policy have on every sector of American business and is committed to making America a more competitive participant in the global economy than ever before.

STRATEGIC PLAN

QUESTION:

9. Will you have a strategic plan which you prepare and submit on a regular basis to the Secretary of Commerce?

ANSWER:

I have already discussed the strategic objectives of the US&FCS with Secretary Mosbacher on a number of occasions. Regardless of what format we choose to employ, you can be certain that the US&FCS will be involved in regular strategic planning activities and exchanges with the Secretary.

COMPETITOR NATION

QUESTION:

10. How would you compare the US&FCS to your counterpart organizations in, for example, Japan, West Germany and Canada?

ANSWER:

As a general matter, the U.S. Government efforts appear to differ in three areas: allocation of resources, program content and the role of central government.

- While the US&FCS may spend less than U.S. foreign counterparts, if promotion expenses are compared on a per capita or GNP basis, you cannot correlate the effectiveness of efforts with money spent because of differences in laws, regulations, business cultures and national philosophies about the appropriate role of government.

- Although the US&FCS employs many of the same basic trade promotion techniques (counseling, trade information and events) as our counterparts, differences remain in relative focus and the use of government subsidies.

- Many governments, including Japan, France and Sweden, rely on a heavy central government role in trade promotion. In contrast, other nations, such as Germany, rely instead on on quasi-public and private organizations (chambers, industry associations, trading companies). The US&FCS appears to endeavor to strike a balance between the role of government and the use of "multipliers" to better encourage the American entrepreneurial spirit.

EXPORT PROMOTION SPENDING

QUESTION:

11. Our largest trading partner, Canada, spends $21.44 per capita on export promotion. In per capita terms Sweden spends $8.72, Belgium spends $6.35, and France spends $6.19. The United States spends only $1.20 per capita for export promotion. How can you expect to really assist our exporters when we spend so much less than our competitors?

ANSWER:

As noted in my response to question #10, export promotion financing is only one of the elements to be considered in comparing US&FCS' activities with those of our counterparts abroad. Obviously, it is incumbent upon the US&FCS to allocate resources and to focus its activities in the most cost effective manner possible. For example, the collection and dissemination of information on potential markets and trade opportunities, one-on-one counseling for would-be exporters, and opening doors for American exporters abroad are among the key activities of the Service and are likely to remain so.

FY1990 BUDGET REQUEST

QUESTION:

12. If confirmed, would you seek to have the US&FCS budget adjusted in order to expand your services? What kind of budget request would you envision for 1990?

ANSWER:

The President's budget request for 1990 proposes an additional $6,000,000 to restore certain losses in overseas support for exporters attributable to the relative decline in the dollar's value since 1985. If Congress provides those funds, along with the requested $7,728,000 in technical adjustments required to meet other cost increases, US&FCS will have a base on which it can begin to build for the 1990's.

US&FCS AS AN OUTREACH ORGANIZATION

QUESTION:

13. Do you believe the US&FCS should be an outreach organization or one that primarily responds to requests?

ANSWER:

By its very charter the US&FCS is, and should be, an outreach organization. In 1980, when the US&FCS was created, the Secretary of Commerce was authorized to recruit a cadre of business professionals experienced in international trade to promote U.S. exports abroad and foster a greater awareness of exporting throughout local communities at home.

The US&FCS takes, and will continue to take a proactive role in reaching businesses who have yet to consider exporting as a means of expanding their business, as well as those entering a new market or determined to export for the first time.

EXPORT PROMOTION AND COORDINATION--RESOURCE DISTRIBUTION

QUESTION:

1. The US&FCS has been criticized for not devoting adequate resources to the countries that are our major trading partners or which hold the best potential for expanding US exports. Do you believe the resources of the US&FCS are adequately directed to the most dynamic markets?

ANSWER:

In the last half of this decade, relative US&FCS overseas resources have diminished due to the combined effect of dollar depreciation and budget constraints. This is why the President's budget request for 1990 includes an additional $6,000,000 for the US&FCS to restore overseas operations. In spite of resource constraints, however, the US&FCS has apparently sought the retention of a presence in all the major markets for American exporters overseas. In FY89 US&FCS staff resources are split approximately 39 percent in Europe, 24 percent in East Asia, 19 percent in the Western Hemisphere and 18 percent in the Near East and Africa.

If Congress appropriates the funding requests contained in the President's FY1990 budget, the US&FCS should be in a position to provide better coverage of the most dynamic potential overseas markets.

STATUS OF EXPORT NOW

QUESTION:

2. How does the work of "Export Now" fit in with activities of the US&FCS? What do you think is the future of "Export Now"?

ANSWER:

EXPORT NOW began as a promotional and public awareness initiative designed to highlight the Department's programs and services and make them more readily available to the business community. The majority of those programs were US&FCS activities. One of the great lessons from this program has been the value of private and public sector cooperation.

I am certain that the concept of EXPORT NOW will remain a model for many of our outreach activities. Moreover, I would hope that key government-corporate relationships developed in the context of EXPORT NOW can form the basis for various other export promotion initiatives in the future.

COMMERCIAL BANKS

QUESTION:

3. If confirmed, will you be working with commercial banks to encourage them to increase financing for export activities?

ANSWER:

Yes, I would expect to work with the commercial banks to encourage their increased participation in financing export activities. For example, the US&FCS currently works with the EXIM Bank and other regional development banks to encourage and educate commercial banks about the opportunities and benefits of doing international business. Knowledge of how these banking resources can mix financing or insure against loss due to international exposure encourages wider participation by

PROMOTION OF FOREIGN INVESTMENT

QUESTION:

4. Do any of the US&FCS offices promote opportunities for foreigners to invest in the U.S.?

ANSWER:

While I understand that some US&FCS offices are occasionally asked to get involved in such activities, in line with current administration policy, the US&FCS does not take a proactive role in promoting foreign investment in the U.S. Foreign Commercial Officers are often called on to respond to requests for such assistance from various state development offices, but do not initiate specific promotional programs aimed at attracting foreign investment.

For example, I am informed that officers in Europe work closely with the Council of American States in Europe (CASE) on "State Trade Day" seminars, but it is up to the individual state representatives to strike the balance for that State between promoting exports and attracting investment.

U.S. BUSINESS ROLE

QUESTION:

5. We often hear that in order to export more, "the U.S. business community has got to get the lead out." Do you agree with this statement?

ANSWER:

In the current global economic environment, to compete at home, U.S. firms must become effective international competitors. For many years, U.S. business had the unique advantage of operating in the single largest integrated market in the world. Today, they are often faced with intense competition from foreign companies that understand the power of a global market and are willing and able to adapt their products, advertising messages and management styles accordingly. American companies must be prepared to adapt to this same way of thinking -- the philosophy behind successful exporting -- or risk the loss of market share at home and abroad.

EXPORTING AND THE TRADE DEFICIT

QUESTION:

6. Do you think the U.S. can export its way out of our trade deficit?

ANSWER:

Exporting remains one of the single most promising tools we have to bring about a positive long-term change in our trade balance and economic well-being.

RELATIONSHIP WITH BUREAU OF EXPORT ADMINISTRATION (BXA)

QUESTION:

7. Over the past several years the US&FCS has been assisting the business community with export licensing problems. If confirmed, will you take an active role in policy decisions affecting our export licensing system?

ANSWER:

The US&FCS has a good cooperative working relationship with the Bureau of Export Administration (BXA) and I see no reason for this to change.

I intend to work closely with BXA and other divisions within the Department of Commerce to ensure that American business receives the assistance it needs to meet the requirements of exporting.

DEPRECIATION OF THE DOLLAR

QUESTION:

8. What effect do you see the depreciation of the dollar having on the overseas offices?

ANSWER:

Dollar depreciation affects US&FCS overseas operations in several ways. As the dollar's value declines relative to other currencies, the cost of local goods and services required to operate US&FCS overseas offices goes up. At the same time, as U.S. goods and services become more cost-competitive overseas, the demand for US&FCS services rises.

As a result of these conflicting pressures, the US&FCS has experienced both relative and absolute reductions in services and staffing overseas since 1985. Fortunately, the Administration's 1990 budget request is designed to address much of the problem.

US&FCS COORDINATION

QUESTION:

9. A report conducted by the House Subcommittee on International Operations (House Report) found that: "There is a noticeable lack of US&FCS coordination between international posts, district offices and Washington." If confirmed, what would you do to ensure better coordination?

ANSWER:

Coordination of a network of more than 190 offices involved in dozens of programs throughout the world is no simple task. If the US&FCS is to pursue its mission in the most resource-effective manner, it is clear that better communication within US&FCS and between US&FCS and other agencies is of paramount importance.

RELATIONSHIP WITH USTTA

QUESTION:

10. We have heard from the United States Travel and Tourism Administration (USTTA) that the uS&FCS assists them in promoting tourism in secondary markets where the USTTA cannot afford to have a presence. Do believe this arrangement has worked well? Do you think the US&FCS mandate could be broadened to include promoting the U.S. as a travel destination?

ANSWER:

I understand US&FCS officers work well with USTTA. For example, US&FCS officers often fill the role of convener for "Visit USA" committees. These committees, formed by representatives of U.S. travel-related firms, have been instrumental in running "Visit USA" seminars, and generating additional tourist-dollar incomes for the travel industry. US&FCS support of USTTA programs represents a mutually reinforcing activity in that our officers can take advantage of various initiatives they promote to further their own export outreach efforts. What better way is there to convince potential importers of U.S. products to buy more than to encourage them visit to the American marketplace to see what is available?

HUMAN RESOURCES--PRIVATE SECTOR EXPERIENCE

QUESTION:

1. Does the US&FCS concentrate on selecting personnel with private sector experience?

ANSWER:

The US&FCS prefers to hire Foreign Commercial Service Officers who have some private sector experience, in the belief that they will be more knowledgeable, understanding and successful because of that background. However, private sector experience is not a firm requirement in US&FCS recruitment. Periodic recruitment bulletins are targeted at domestic and international trade associations, American business groups abroad, and other sources to elicit interest from private sector applicants. In addition, the Service targets women and minorities, as well as speakers of certain difficult languages such as Japanese and Chinese.

RANK AND AUTHORITY AT FOREIGN POSTS

QUESTION:

2. The US&FCS was created to give more adequate attention to trade and business matters at our embassies. Do you believe that there is now adequate attention given, or do US&FCS officers still have difficulty in fulfilling their mission since they do not have the same rank as Ambassador, and must serve under State Department Mission Chiefs who may not be sensitive to trade concerns?

ANSWER:

Generally speaking most Ambassadors appear to be giving more attention to trade and business matters than in the past.

US&FCS commercial programs and functions provide unique opportunities for Ambassadors to make important business contacts and to better serve American interests abroad. While there may still be some bureaucratic problems at a few of our new Minister Counselor posts that have an impact on our officers' dealings with senior officials host countries, I would hope these can soon be resolved.

The Secretary of Commerce and I have been encouraged by the attitudes expressed by many of the new outgoing Ambassadors who have come to call on him prior to their departures for post. Moreover, the Secretary of State has already cabled his Ambassadors and Chiefs of Mission to state the priority he places on their commercial activities.

COMPETITOR NATION--HUMAN RESOURCES

QUESTION:

3. Many other countries with economies much smaller than ours have government trade promotion organizations much larger than ours. Do you think we need to put more human resources into our trade promotion efforts?

ANSWER:

(Please see responses to overview Questions #10 and #11.)

The US&FCS is a service organization where our commercial officers and their trade program counterparts are our most important resource. With more than three-quarters of the US&FCS budget devoted to pay and benefits, budget considerations have a direct impact on the services provided. As a result, the most efficient allocation of these resources remains a key challenge to the effective operation of the Service.

US&FCS IN BRUSSELS

QUESTION:

4. I understand there are no US&FCS officers to the U.S. Mission to the European Community in Brussels and, in fact, no one at all from the Commerce Department is there. EC-1992 represents such a tremendous challenge to the U.S. that we should be putting a massive effort into monitoring developments and providing advice to American industry. How can we provide such services without representatives from the Department of Commerce in Brussels? Does the Commerce Department have plans to assign US&FCS officers to Brussels? If not, why?

ANSWER:

EC-1992 is among the Secretary's highest priorities and in support of his 1992 initiatives, the US&FCS is very interested in establishing several Foreign Commercial Service officer positions at the U.S. Mission to the European Community (USEC) in Brussels. We see a strong need for commercial officers to work with business regulations coming out of the EC; to develop a dialogue on the hundreds of industrial standards being developed in regard to testing and certification of products; and to be the eyes and ears of small and medium size U.S. exporters who have no other way of staying on top of developments in the EC.

Secretary Mosbacher has written to Secretary Baker and has spoken with Ambassador-designate Niles requesting their support for the establishment of several commerce officers postition at USEC.

MORALE AT US&FCS

QUESTION:

5. What is the state of morale in the US&FCS?

ANSWER:

Determining the state of morale in any organization is difficult under the best of circumstances. Doing so in a highly decentralized agency as a relative newcomer is virtually impossible.

While I am clearly not in a position to make any definitive statement about the current state of morale in the US&FCS, I am happy to share with the Committee my belief that not only does morale have a direct bearing on the effectiveness of an organization, but that the reverse is also true.

US&FCS officers and staff I have met and worked with over the years clearly recognize the vital importance of their mission to the nation's economic well being. That attitude strikes me as a terribly important starting point for anyone with a desire to see the Service flourish.

SELECTION AND ASSIGNMENT OF OFFICERS

QUESTION:

6. How are officers selected, assigned and trained to foreign and domestic posts?

ANSWER:

Based on information provided to me by the US&FCS' Office of Foreign Service Personnel, Office of Foreign Operations, and Office of Domestic Operations, the selection, training, and assignment of U.S. and Foreign Commercial Service officers currently entails the following:

The selection of career candidate Foreign Commercial Service (FCS) Officers involves a multiphase assessment center process based on an analysis of the tasks, knowledge, skills and abilities needed to succeed as an FCS officer. Most FCS officers are apparently hired at the mid-level, which requires a minimum of four years specialized experience beyond an undergraduate degree. Applicants who pass the assessment process are put on a rank-order register and, according to budget availability, are hired from the top scoring name downward on the list. Each year from one to three Junior Officers are also selected from candidates who pass the Board of Examiners of the Foreign Service assessment process.

The assignment process for Foreign Commercial Service officers is based on decisions made by the US&FCS Overseas Assignments Panel which consists of five voting members representing the Trade Development and International Economic Policy areas of ITA, as well as the Office of Foreign Service Personnel, Office of Foreign Operations, and the Director General.

Bids are solicited annually from career officers due for rotation in the coming year. The US&FCS Overseas Assignments panel considers carefully their requests, but reserves the right to make assignments based on the needs of the service. In the past 1-1/2 years, I am told that no officer has been assigned to a post for which he/she has not bid.

Training of new hires consists of a mix of standard Foreign Service Institute (FSI) courses that all must take, and other courses and consultations geared specifically to the country and assignment to be undertaken. Standard FSI courses include a one-week introduction to the Foreign Service, and two days on "coping with violence," a two-week area studies course covering the country or region to which the officer is assigned. If the officer is going to a consulate, he/she also takes a 6-day consular course. At least two weeks are to be devoted to meetings and consultations relevant to the country and position of assignment, with an additional period of consultations at a District Office to meet with appropriate businesses, financial institutions and associations. Most career-candidates are also provided language training, as necessary, to meet probationary or assignment requirements.

As regards the selection and training of trade specialists located in domestic district offices, hiring occurs in accordance with standard civil service personnel practices. When vacancies occur and resources are available to fill the positions a vacancy announcement is issued. Selection is made under OPM regulations.

Due to resource constraints, I am told that the bulk of the training for domestic officers occurs on-the-job or in connection with programs arranged by the relevant District Office Director or Regional Manager. In addition, certain targeted training seminars are apparently made available to interested officers by the Export-Import Bank, BXA, the EEOC and other relevant government agencies.

DISTRICT OFFICES AND THE STATES--COLLOCATION

QUESTION:

1. Is it true that OMB is pushing to have the District Offices shut down or collocated with other Department of Commerce offices? If this is the case, will you fight this? Are the District Offices worth saving?

ANSWER:

To my knowledge OMB is not pushing to have the District Offices shut down. The President's 1990 budget request does state, however, that the US&FCS will "undertake test projects in 1990 that will examine the feasibility of alternative methods of providing domestic commercial services."

The US&FCS should always be open to exploring new, better and more effective ways of assisting U.S. firms to export. The District Offices are an important part of our worldwide network and as such are certainly "worth saving."

COLLOCATION STATUS

QUESTION:

2. Alex Good, in a letter sent to the Subcommittee in July of last year, said that the US&FCS was negotiatinf collocation arrangements with the states of Indiana, Michigan, and Nevada. Have these collocation agreements been finalized? Please let us know all the states with which the US&FCS has collocation agreements.

ANSWER:

I understand that formal or informal collocation arrangements now effect 21 US&FCS offices. These range from formal, written agreements governing operations in Santa Fe, Grand Rapids, and Indianapolis, to more formal arrangements, such as one in St. Louis where the US&FCS houses a Missouri state employee. Within this broad spectrum, I am told that US&FCS offices in Oklahoma City, Kansas City, Harford, Boston, and Denver all have developed some form of collocation arrangement, as have a number of US&FCS branch offices. To my knowledge, arrangements in Nevada are still under negotiation.

STATE DEVELOPMENT OFFICES OVERSEAS

QUESTION:

3. As you know, there has been a proliferation of state offices located abroad. How do these individual state offices coordinate with the US&FCS offices in those countries?

ANSWER:

US&FCS officers work closely with state development offices abroad. I understand that the Service has assisted states in finding office space; coping with startup problems; making contacts with key government and private sector offices; and has cosponsored numerous promotional events with them. In certain locations, the US&FCS also apparently shares trade opportunities and potential investor lists.

State offices overseas have two basic objectives, (1) attract foreign investment, and (2) identify trade opportunities for the state's exporters. The US&FCS is actively involved in assisting such offices with this second objective.

The auxiliary responsibility of hosting state and local missions or official delegations almost always requires and receives US&FCS support. Individual officers maintain a close working relationship with state offices in their host country, and state representatives are often included in some fashion in annual US&FCS regional management and planning conferences.

FEDERAL/STATE RELATIONSHIP

QUESTION:

4. How do you envision the federal/state relationship for export promotion projects? How can we best work together?

ANSWER:

The relationship between state governments and the US&FCS vary from state to state based on each organization's unique interests, qualities and strengths. The greatest benefit the US&FCS can offer to the American business community is the use of our world-wide network to assemble and communicate intelligence and information. Locally, the district offices are well placed to offer high quality counselling and sales facilitation programs which are particularly important to new to export small and medium sized firms or those occasional exporters who lack the resources of larger established corporations.

DISTRICT OFFICES -- PERSONNEL

QUESTION:

5. In the House Report cited earlier, the House Subcommittee staff researching the report visited many district offices. One of their findings was, "...it is difficult to keep entry level professionals motivated and interested in maintaining a long-term career in the US&FCS because of low salary levels and lack of a clear career path." If confirmed, how would you deal with these problems?

ANSWER:

It is worth noting that this problem is not limited to US&FCS alone, but a dilemna faced throughout the government.

As regards the US&FCS domestic field office staff, I am told that there is a career ladder for entry level professionals (GS-9/11/12). There are also apparently a few GS-13 Trade Specialist positions in the larger district offices, as well as those in appropriate Branch Offices. Further, I understand that a bridge (related to grade) was established during the past year which now enables GS-12's to qualify for consideration as District Office Directors in the smaller offices.

The differential between civil service salaries and the high cost of living in many of the larger cities served by the US&FCS remains a problem since the GS grade scale for the clerical, para-professional and junior professional positions often do not equate to the real level of salaries and expenses in those areas. We realize this causes high turnover in such areas with employees seeking positions in the private sector.

If confirmed, I will continue to seek solutions to curb "brain drain" in our professional work force.

DISTRICT OFFICES MARKETING PLANS

QUESTION:

6. How do the District Office Marketing Plans fit into the overall planning process?

ANSWER:

According to the Office of Domestic Operations, district office Work Plans are prepared on a fiscal year basis to ensure priorities are set and work is distributed such that program initiatives meet overall ITA/US&FCS objectives. The programs targeted for action by the District Offices to serve their local business communities--as they relate to overseas marketing assistance--are assessed as well. The Management Planning and Performance Appraisal System (MPPAS), which is reviewed and sent out each year prior to preparation of D.O. Work Plans, is designed to provide guidance for development the of Work Plan objectives.

DATA--STATE USE OF US&FCS TRADE DATA

QUESTION:

1. From testimony before the Subcommittee, we have heard that the individual states use their own trade information because it is more reliable than the federal government's data. If confirmed, would it be one of your goals to provide more meaningful data to the states?

ANSWER:

I consider providing meaningful and useful data to the business community and to states to be one of the most important services of the US&FCS.

As I have already indicated, I would hope to address the value of available information and ensure it is timely, accurate and readily accessible. The U.S. government, through the US&FCS, the Census Bureau, and various other agencies within and outside the Department of Commerce, is uniquely positioned to provide much of the information vital to exporters.

STATE ACCESS TO CIMS

QUESTION:

2. Is it in the US&FCS's long term plan for the states to be on the receiving end of the Commercial Information Management System (CIMS)?

ANSWER:

The information provided by the CIMS network is only as useful as the extent to which it is accurate, timely and available to those who need it. In this regard, I understand that the issue of state access to the CIMS network has revolved around problems related to information dissemination and cost recovery.

At present, the US&FCS must sell CIMS information in order to recover some of the costs incurred in developing and delivering it. At the same time, many states are required by law to give away any information they receive -- thereby creating a potential Catch-22 situation for the network.

Under the Omnibus Trade Act of 1988, however, states will have access to "raw" CIMS trade information through the National Trade Data Bank (NTDB). The NTDB is expected to "warehouse" CIMS information, along with data collected from a variety of other federal sources, which is to be made more widely available to states and other interested parties.

STATUS OF CIMS

QUESTION:

3. Please give the Subcommittee an update on the status of CIMS.

ANSWER:

CIMS, the Commercial Information Management System, represents a program that involves the collection of commercially useful data by Commercial Officers at home and abroad, the processing of the data, and its eventual dissemination through US&FCS field offices to potential American exporters.

In view of questions raised about the CIMS program by the GAO, the Commerce Inspector General, and various congressional committees, the US&FCS -- with the support of ITA and Department of Commerce management -- is about to undertake a basic review of CIMS. The review will involve both an independent technical assessment of CIMS and a more strategic review focused on user needs and options for the future. I would expect these studies to be completed sometime in the fall.

Based on information provided by the US&FCS staff, CIMS is currently operational at US&FCS headquarters and district offices. CIMS is also operational at 40 overseas posts which utilize State Department VS mini-computers*. These posts are located in markets which collectively account for over 80 percent of U.S. exports; by the end of June the figure will grow to 85 percent. All overseas VS mini-computer sites are supposed to be operational by the end of the year.

The Personal Computer version of CIMS has been installed on a test basis in two posts and full scale PC implementation is expected late this fall -- following receipt of the CIMS technical review. Software development for the CIMS program is now on hold, pending the outcome of this review. However, the review will not interfere with the daily operations of CIMS.

In the meantime, the US&FCS continues to build the information base which is so critical to the success of CIMS as an export tool. CIMS already contains more than 106,000 domestic and overseas client records and over 2,000 research reports.

(*As of May 31, 1989)

SSchwab

QUESTIONS FROM SENATOR RIEGLE

QUESTION:

1. The Congress, in Section 2301 of the Omnibus Trade bill, authorized the Secretary of Commerce to designate up to 8 United States missions abroad at which the senior Commercial Service Officer will be able to use the diplomatic title of Minister-Counselor. Has the Secretary made such designations? If so, in which overseas posts has he authorized the use of that title?

ANSWER:

The eight Minister-Counselor positions are currently allocated to Commerce's largest posts: Beijing, Bonn, London, Mexico City, Ottawa, Paris, Rome and Tokyo. This position designation puts senior commercial officers on equal footing with the heads of other agencies, and, more importantly, sends a message to the host government that the U.S. places a high priority on trade.

RIEGLE QUESTION:

2. How many of the eight Foreign Commercial Officers designated to have the title of Minister-Counselor are career officers with a language capability in the country to which they have been designated, and how many of them are political appointees?

ANSWER:

All but one of the Minister-Counselor positions are currently held by career officers. That one position, in London, is held by an officer on a private sector limited appointment who is scheduled to be succeeded by a career officer this summer. The US&FCS has no political appointees overseas.

At present, all US&FCS officers in Minister-Counselor positions are conversant in the language at their respective posts.

RIEGLE QUESTION:

3. In January, 1989, the GAO issued a report entitled: Export Promotion: Problems in Commerce's Programs to which it identified and suggested solutions for organizational, operational and management problems in Commerce's trade promotion activities. Are you familiar with that GAO report? If so, are there any of its recommendations that you plan to implement?

ANSWER:

I am familiar with the January 1989 GAO report, have studied it closely, and have had an opportunity to discuss some of its findings with GAO staff. I am told the US&FCS has already started to implement a number of the GAO's recommendations from that report as a way to better coordinate its trade promotion activities. If confirmed as Director General, I would expect to work very closely with others in ITA and the GAO to address as many of the problems cited in the report as possible.

RIEGLE QUESTION:

4. I see from you resume that at one time in your career you were a Foreign Service Officer assigned to our Embassy in Tokyo. Based on that experience and your other professional work on trade matters in the Senate and elsewhere, what do you think are the main causes of our massive trade deficit with Japan?

ANSWER:

One could easily write a doctoral thesis on the causes of the U.S.-Japan trade imbalance! Instead, let me mention a few of the factors that, in my opinion, have contributed to the current imbalance. First, and foremost, are the macroeconomic factors, including the U.S. budget deficit, our low savings rate, and the relatively high cost of capital in the United States. The high value of the dollar relative to that of the yen and other currencies through the mid-1980's, as well as the strength of the U.S. economy relative to that of our trading partners during the same period, also played a role. Last, but certainly not least, are the trade-specific causes. These include significant barriers to entry for competitive U.S. products in the Japanese market, aggressive marketing of Japanese exports in the U.S. of products attractive to U.S. consumers and increasingly needed by U.S. industrial producers, and, in some cases, insufficient commitment on the part of U.S. manufacturers to produce and market competitive products in Japan.

RIEGLE QUESTION:

5. Section 2306 of the Omnibus Trade bill directs the Foreign Commercial Service to make a special effort to identify impediments to the export of goods and services to Japan, South Korea and Taiwan. The Secretary of Commerce is to report on such matters to the Congress periodically. When do you expect Commerce's first report under Section 2306 to be issued? Is that a matter in which you will take special interest if confirmed?

ANSWER:

Through existing systems and reporting programs, the Foreign Commercial Service officers in Japan, South Korea and Taiwan already collect and disseminate commercial information required by Section 2306. The US&FCS, through ITA, contributes much of this information in the annual National Trade Estimate Report on Foreign Barriers provided by USTR to the Congress. The most recent such report was issued in April of 1989.

The market potential for U.S. products in Japan, South Korea and Taiwan is enormous. If confirmed as Director General, I will take a special interest in these markets and the provisions contained in Section 2306.

RIEGLE QUESTION:

6. Inter-agency coordination is a large part of developing U.S. government positions of trade issues. Will you represent Commerce on any of the inter-agency trade fora? If so, which one? Could you describe for us briefly how trade policy issues are begin coordinated in this administration?

ANSWER:

The Department of Commerce has traditionally been represented on interagency review groups, such as the Trade Policy Review Group (TPRG), by the Under Secretary of Commerce for International Trade or his representative. In the past, the Director General has taken an active role in formulating Department export promotion-related positions for interagency trade policy review. As Director General, I would represent the Department at the discretion of the Under Secretary.

As under the previous Administration, trade policy issues continue to be coordinated through the various levels of interagency committees. The TPRG, which generally meets at the subcabinet levels, is chaired by the Office of the U.S. Trade Representative. The cabinet-level Economic Policy Committee (EPC) is chaired by the Secretary of Treasury. Ultimately, as appropriate, all major trade policy decisions reach the President for his determination.

QUESTIONS FROM SENATOR JAMES EXON

QUESTION:

1. Over the years, I have heard the so-called "quality lecture" from our friends in Japan. The refrain goes something like, "The Japanese consumer cares about quality and not about price. American goods do not meet the quality standards of the Japanese market." I find these comments a bit baffling and infuriating. First, American quality is quite good. Second, if American quality and by implication American workers are so bad, why are Japanese involved in a mad rush to purchase American companies and build American production lines? What is your personal opinion of American quality and what will you do to destroy the myth of poor American quality?

ANSWER:

I believe that U.S. industry is fully capable of producing high quality products and marketing them successfully anywhere in the world. I also believe that whether American, Japanese, or of other nationality, a consumer will almost inevitably consider both quality and price in making a purchasing decision.

The best way to change perceptions is to challenge them with facts. Therefore, the best way to dispel any misconceptions about the quality of American exports is to increase exports of quality U.S. products. This task is what the US&FCS is all about and you can be certain that I will do my uptmost to contribute to the cause.

EXON QUESTION:

2. There seems to be a close relationship between American businesses abroad and the Foreign Commercial Service. There is almost a "clubby" atmosphere. It seems that American businesses already overseas are the group in the least need of assistance. They are in foreign countries, doing business and building markets. It seems that the area in need of the most amount of attention are those companies which are not located overseas or are not yet in the export business, especially in the small business sector. How can communication between the Foreign Commercial Service and these companies be improved?

ANSWER:

As I understand it, the US&FCS has a strong and growing record in assisting small and medium-size businesses in their efforts to export. For example, I am told a majority of 173,600 business people who attended more than 2,700 US&FCS export seminars in FY 1988 represented small or medium-sized businesses, and that US&FCS programs designed to assist these businesses have been expanded. These kinds of companies represent a target audience for the US&FCS, although they rarely have a major presence abroad.

If confirmed, I will continue efforts to increase outreach to this sector of the U.S. business community so that it may begin to realize its true export potential. Of particular interest in this regard will be the activities of the US&FCS offices and officers throughout the United States, private sector and state and local government "multipliers," along with the market research and promotion efforts that make the US&FCS uniquely suited for the task.

EXON QUESTION:

3. As you look at the world markets and strengths of the American economy, what would you judge to be the general areas of greatest export potential for the United States? What would you judge to be the greatest impediments to American export opportunities?

ANSWER:

The potential for increased U.S. exports exists across the range of industrial, agri-business and service sectors represented in our economy. Similarly, U.S. exporters are beginning to realize that they should look not only at the more traditional markets for U.S. products, such as Canada and Europe, but also to the growth markets of Asia, Mexico and certain countries in Latin America and the Middle East, and even to the potential markets of Eastern Europe and the Soviet Union.

The ability to find and match potential U.S. exports with potential foreign markets is one of the key roles of the International Trade Administration in general and the US&FCS in particular. Indeed, one of the strengths of the US&FCS is its ability to promote furniture exports with a North Carolina company to Japan one day, and then promote mini-car exports to Canada with an Elkhorn, Nebraska, company the next.

Among the greatest impediments to U.S. export opportunities are the lack of recognition by many American companies of the importance of exporting and the existence of foreign barriers to the exports of some of those who do.

EXON QUESTION:

4. The Department of Agriculture claims responsibility for most Agricultural exports, especially in meat, poultry, livestock and bulk commodities. However, there is some overlap of responsibility between the Department of Commerce and the Department of Agriculture when it comes to processed food products. Does this create any difficulties? What can be done to foster cooperation and coordination between the Foreign Commercial Service and the Foreign Agricultural Service?

ANSWER:

The Department of Agriculture and the Department of Commerce have regularly coordinated activities where there is overlap in programs and responsibilities to exporters. This is particularly true in the field, where cooperation between Foreign Agricultural Service and U.S. and Foreign Commercial Service officers at Embassies seems to be the norm.

I see no reason for this relationship to change and will work closely with the Department of Agriculture to best serve the interests of U.S. exporters.

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